



# *CITY COUNCIL*

## *Finance Committee*

### **Meeting Report Monday, May 5, 2008**

**Committee Members Attending:** J. Waltman, Chair, S. Fuhs, M. Baez

**Others Attending:** V. Spencer, R. Hottenstein, M. Vind, M. Reese, W. Bealer, D. Cituk  
J. Khokhar L. Kelleher

Mr. Waltman called the Finance Committee meeting to order at 5:05 pm.

#### **941-943 N. 5<sup>th</sup> Street**

The group discussed MOU (Memorandum of Understanding) provided to the owners of 941-943 N. 5<sup>th</sup> street, which provides a final 60 day notice to make the stated repairs to the premise and to limit the sewing operations allowed as a home occupation to 941 N. 5<sup>th</sup> Street. Under the zoning ordinance in home occupations, may not have more than 2 employees who do not reside at the residence. Council members strongly expressed their dissatisfaction with the length of time, and in the over extension of opportunities provided to the owners to correct and comply with City regulations. Mr. Khokhar assured council that this is indeed final notice before corrective action is taken.

Mr. Waltman and Mr. Spencer strongly objected citing the fact that problems with this operation were identified in 1998, when neighboring properties told the City that in excess of 10 employees were working at this property. They also noted the installation of a loading zone at this property which again identifies a use beyond what is allowed for in home occupations. Complaints regarding illegal facade improvements came forward approximately 4 to 6 years ago culminating in a certificate of appropriateness appeals hearing before City Council. After taking testimony from the property owner and the Historic Preservation Specialist City Council ruled against allowing a certificate of appropriateness and instructed the property owner, who claimed lack of

sufficient funds to re-instate the original facade to file for a façade grant with the Historic Preservation Specialist within 60 days. To date this application has not yet been filed with the historic preservation specialist. Ms. Kelleher also reminded the group of the many trades and zoning inspections conducted at this location and the many meetings and notices sent to the property owner, speaking to the their requirement to take corrective action.

## **REFUNDING OF 1996 CITY OF YORK GENERAL AUTHORITY BOND**

Michael Vind from Financial S&Lutions distributed a memorandum to Council describing the opportunity for the City to refund the outstanding City of York General Authority Adjustable Rate Pooled Financing Revenue Bonds issued in July 1996 for \$ 30,100,000 at a variable rate. Currently \$6,630,000 of this bond are outstanding and will mature on March 1, 2010. This bond was issued to finance planning, designing, constructing, expanding the City's Sewer Waste Water Treatment Plant and some other General Fund projects of the City. The liquidity facility fees are 35 basis points per annum and the remarketing fees are 7 basis points per annum.

Mr. Vind explained that AMBAC who insures the 1996 bond has lost capital and subsequently had a downgraded credit rating due to subprime mortgage investments. Since the credit rating was downgraded the interest rate the City pays on this 1996 bond is very expensive.

Mr. Vind explained that a new insurance would be costly to obtain, therefore, S&Lutions recommends the City refund the 1996 Authority Bond, with the City General Obligation Note Series B, from a local bank, which would convert the existing variable rate into a traditional fixed rate. He explained that by refinancing the City would eliminate the credit facility fee of 35 basis points annually and the remarketing fees of 7 basis points annually and lock in a fixed rate of approximately 2.58% which would yield a \$300,000 dollar savings through the maturity of the 1996 Bonds on March 1, 2010. S&Lutions fee would be approximately \$18,500 dollars for financial advisory fees, bond counsel fees, bank fees, and trustee fees.

Mr. Fuhs inquired why the City would need legal counsel to prepare a fixed rate deal. Mr. Vind stated that due to the complexity of the issue legal counsel would be necessary. He noted that S&Lutions has a six year contract for Financial Advisory Services with the City and he noted similar work done to support other cities such as Lancaster and Allentown.

Mr. Spencer requested a list of the recommendations and services suggested by S&Lutions provided to past Managing Director Leon Churchill and not under taken by it the City.

## **SALES/ LEASE OF PARKING FACILITIES**

Mr. Hottenstein stated that currently the Administration is exploring all options and is not prepared to discuss the details. He stated that currently the Administration is only prepared to discuss policy issues surrounding this issue. The Administration will be making a recommendation to Council at the June 3<sup>rd</sup> Budget Summit.

Mr. Vind explained that the Harrisburg P3 deal is an anomaly compared to the deal structured here.

Mr. Spencer stated that he also has begun to research this issue and noted the variety of approaches available.

At this time members of the Public Safety Committee joined the Finance Committee Meeting.

## **FINES AND FEES**

Mr. Hottenstein stated that two companies responded to the RFP. Currently the City is applying for a grant which will cover 50% of the cost to study the City's fines and fees. It is expected that the study will be complete by August so appropriate changes can be implemented in the 2009 Budget.

Mr. Spencer noted Council's past questions relating to the ability of the Hansen Software to perform these calculations. Mr. Hottenstein stated that the software has the ability to update this information but cannot complete the amount of data gathering required to support the changes.

## **RESIDENTIAL RENTAL TAX ORDINANCE**

Mr. Waltman expressed concern with the City's ability to implement the Residential Rental Tax fees due to the City's inability to properly track rental properties (existing rental properties, those in the housing permit process and the illegal properties) He noted that this fee would only be applied to those who have complied with the City's regulations. He questioned how the City could manage the Residential Rental Tax Fee when they have not exhibited the ability to manage the housing permit process. He said he would prefer to consider this issue after the City has successfully demonstrated their ability to manage the housing permit process.

Mr. Younger noted the existence of pending State Legislation that will limit the City's ability to apply the Residential Rental Tax and suggested that Council adopt this legislation before deadline is issued by the State Legislators.

Mr. Sterner reminded all that he has been asking for similar legislation for over two

years. He stated that this tax would assist the City in recovering fees for service provided to rental properties. He noted that this fee will not be paid by the landlord but will be remitted by the landlord after the fee is collected from the tenants.

Mr. Waltman expressed the belief that too many properties are currently outside the housing permit process and the City should identify those properties before implementing the Residential Rental Tax Ordinance.

Mr. Hottenstein stated that the Tax Office will need to hire 3 employees to manage the collection of the Residential Rental Tax Ordinance at a cost of approximately \$200,000 dollars.

Mr. Fuhs suggested enacting the legislation and setting an implementation date in a year or two, which will allow the Administration to address the Housing Permit Process and identify illegal rental properties for the Ordinances implemented.

Ms. Goodman Hinnershitz suggested that the implementation may attack the transiency issue as the tax will apply to the lease transaction. She stated that thorough and continued discussion about this issue may hinder the City's ability to put his tax in place, due to the pending state legislation. She suggested enacting the ordinance and then amending it as research and further discussion with Council requires. Mr. Spencer agreed that Council could amend the legislation after its enacted.

Mr. Cituk stated that the ordinance limits the collection of this fee to one time per year per residence. Mr. Younger stated that researching and clarification can be provided.

Mr. Bealer noted his participation on the Reading School District tax study. He stated that the study was performed by residents and professionals, who preferred the application of an EIT rather than property tax as it shares the tax burden to those who rent property rather than own property.

### **PROPOSAL TO RE-PROGRAM CDBG FUNDS**

Mr. Hottenstein stated that the administration is proposing a resolution that will make a \$100,000 dollar amendment to the CDBG budget and provide for phase 3 of the City Park Improvement Plan. He stated that the design phase is necessary before physical corrections can be made.

Mr. Spencer inquired how this project relates to and got included in the Capital Improvement Program. Mr. Fuhs stated that as the Penn's Common Neighborhood Group understands the City's financial concerns they agreed to the adoption of the City Park Master Plan without assigned funding. He inquired why this project took precedence prior to the amendment of the projects in Capital Improvement Program.

He questioned the need to spend \$100,000 dollars to save the design of the facility when the safety issues could be addressed without such strings.

Mr. Fuhs stated that he has a problem with elected officials shifting the goals and priorities set by Council in the Capital Improvement Program and finance their own personal pet projects.

### **VEHICLE USE POLICY**

Mr. Hottenstein explained that management decides which personnel require a take home City car to fulfill their responsibilities. He explained that management is currently drafting a management policy on vehicle use which will be presented at the May Public Works Committee Meeting.

Mr. Spencer observed that those who are permitted to take City vehicles home receive a financial perk. He added that many times employees who are given take home vehicles use this vehicle as the family's second car. He noted the abuse that this particular perk can have at an added expense covered by the City's tax payers.

Ms. Goodman Hinnershitz noted her difficulty in accepting any policy that includes the allowance of take home vehicles and the use of City vehicles during the work day without tight controls. She noted County and state policies on vehicle use requiring employees to sign vehicles out and keep a use log.

Mr. Fuhs inquired if the Administration's Financial Plan to be presented at the May 31<sup>st</sup> Budget Summit would include expenditure reductions and controls on use of City vehicles. He questioned how the administration can justify take home vehicles when they are talking about laying off rank and file employees.

Mr. Hottenstein stated that the cost of fuel and maintenance for 26 City vehicles totals \$29,000 dollars. Mr. Fuhs requested a breakdown separating the take home vehicles from those only used by employees during the business day.

Mr. Bealer explained that UGI's vehicle policy requires employees on call to drive to the UGI facility pick up a UGI vehicle before traveling to scene of need. He agreed that many companies across the United States have eliminated the perk of take home vehicles.

Mr. Waltman noted the need for the Administration to devise a strong policy with tight limitations and controls.

As no further business was brought forward the Finance Committee meeting adjourned

Respectfully submitted by,

Linda Kelleher  
City Clerk

Recap of Follow Up Issues

- Vehicle Policy – R. Hottenstein –May19th
- Comprehensive Financial Plan May 31<sup>st</sup> Budget Summit
- List of recommendations from S &Lutions and list of services provided with fees collected. M. Vind June Finance Committee
- Clarification on Residential Rental Tax C. Younger June Finance Committee
- CIP amendment – May 31<sup>st</sup> Budget Summit